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Department of the Treasury

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Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

In Re:

Refer Reply To:

CC:CORP:B03

PLR-102604-13

Date:

May 23, 2013

Distributing =

Sub 1 =

Sub 2 =

LLC =

Business X =

Business Y =

Controlled =

z =

Dear :

This letter responds to your request, dated December 28, 2012 (supplemented by letters dated February 26 and May 10, 2013), submitted by your authorized representative, requesting rulings on the federal income tax consequences of a proposed transaction. The information submitted in the request and the subsequent correspondence is summarized below.

Distributing is the common parent of a consolidated group that includes numerous subsidiaries. Among these subsidiaries are Sub 1 and Sub 2, wholly owned subsidiaries of Distributing, and LLC, an entity disregarded as separate from its owner for federal income tax purposes, all of whose membership interests are owned by Distributing.

Distributing and most of its subsidiaries, other than Sub 1, Sub 2, and LLC, are engaged in Business X. Sub 1, Sub 2, and LLC are engaged in Business Y.

PROPOSED TRANSACTION

Distributing has incorporated Controlled, a wholly-owned subsidiary, for purposes of conducting the proposed transaction and Distributing will contribute all of the stock in Sub 1 and Sub 2 and all of the membership interests in LLC to the capital of Controlled ("the Contribution") in exchange for Controlled stock. Immediately thereafter, Distributing will distribute all the stock in Controlled pro rata to Distributing's shareholders ("the Distribution").

REPRESENTATIONS

- (a). The total adjusted basis, and the total fair market value, of the stock transferred and assets deemed transferred to Controlled by Distributing in the Contribution will each equal or exceed the total liabilities assumed (within the meaning of § 357(d)) by Controlled.
- (b). Any liabilities assumed (within the meaning of § 357(d)) in the Contribution will have been incurred in the ordinary course of business and will be associated with the assets transferred.
- (c). No investment tax credit determined under § 46 has been, or will be, claimed for any property that will be deemed transferred by Distributing to Controlled in the Contribution.
- (d). No part of the Controlled stock to be distributed by Distributing will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of Distributing.
- (e). Distributing and Controlled each will pay its own expenses, if any, incurred in connection with the Contribution and the Distribution.
- (f). The five years of financial information submitted on behalf of Business X conducted by the Distributing separate affiliated group (within the meaning of § 355(b)(3)(B)) ("the Distributing SAG") is representative of its operation before the

Contribution, and with regard to Business X there have been no substantial operational changes since the date of the last financial statements submitted.

(g). The five years of financial information submitted on behalf of Business Y conducted by the Distributing SAG is representative of its operation before the Contribution, and with regard to Business Y there have been no substantial operational changes since the date of the last financial statements submitted.

(h). Neither Business X nor control of any entity conducting Business X was acquired during the five-year period ending on the date of the Distribution in a transaction in which gain or loss was recognized (or treated as recognized under proposed § 1.355-3) in whole or in part. Throughout the five-year period ending on the date of the Distribution, the Distributing SAG has been the principal owner of the goodwill and significant assets of Business X. The Distributing SAG will be the principal owner of the goodwill and significant assets of Business X following the Distribution.

(i). Neither Business Y nor control of an entity conducting Business Y was acquired during the five-year period ending on the date of the Distribution in a transaction in which gain or loss was recognized (or treated as recognized under proposed § 1.355-3) in whole or in part. Throughout the five-year period ending on the date of the Distribution, the Distributing SAG has been the principal owner of the goodwill and significant assets of Business Y. The Controlled SAG will be the principal owner of the goodwill and significant assets of Business Y following the Distribution.

(j). Following the Distribution, each of the Distributing SAG and the Controlled SAG will continue the active conduct of Business X and Business Y, respectively, independently and with separate employees, except that certain employees of Distributing and Controlled are expected to provide transitional services to the other, for a period of up to twenty-four months following the Distribution, and that Controlled may contract for certain accounting functions to be performed for Controlled by employees of Distributing.

(k). The Distribution is not and will not be used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both.

(l). The Distribution is and will be carried out for the following corporate purposes: To protect the assets of Business X from the creditors of Business Y; to protect the assets of Business Y from the creditors of Business X; to permit outside investment in Business Y without participation in Business X; to enable public and private subsidies for the new technology associated with Business Y; to separate the volatile Business Y from the more consistent business conducted by Distributing; to isolate Business Y, which is more dependent upon current and future z policies; to allow for potentially large capital needs as future development expands the requirements of Business Y; and to reduce the impact of compliance with burgeoning governmental regulations. The

Distribution is motivated, in whole or substantial part, by one or more of these corporate business purposes.

(m). Other than (i) intercompany payables created in the ordinary course of business through continuing transactions on terms comparable to those that could be obtained in an arm's length transaction on terms consistent with past practice for intercompany charges, (ii) any liabilities that may arise from a tax-sharing agreement, and (iii) payables created for all transitional services negotiated at arm's length on terms consistent with past practices for intercompany charges, no intercorporate debt will exist between Distributing and Controlled (or Controlled's subsidiaries acquired in the Contribution) at the time of the Distribution. Any such indebtedness owed by Controlled (or Controlled's subsidiaries) to Distributing will not constitute stock or securities.

(n). No two parties to the proposed transaction will be investment companies as defined in § 368(a)(2)(F)(iii) or (iv).

(o). For purposes of § 355(d), immediately after the Distribution, no person (determined after applying the aggregation rules of § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing stock entitled to vote or 50 percent or more of the total value of shares of all classes of Distributing stock that was acquired by purchase (as defined in §§ 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distribution.

(p). For purposes of § 355(d), immediately after the Distribution, no person (determined after applying the aggregation rules of § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled stock entitled to vote or 50 percent or more of the total value of shares of all classes of Controlled stock that was either (i) acquired by purchase (as defined in §§ 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distribution or (ii) attributable to distributions on Distributing stock that was acquired by purchase (as defined in §§ 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distribution.

(q). The distribution is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Distributing or Controlled (including any predecessor or successor of any such corporation).

(r). Immediately before the Distribution, items of income, gain, loss, deduction and credit will have been taken into account as required by the applicable intercompany transaction regulations.

(s). Immediately after the Distribution, neither Distributing nor Controlled will be a disqualified investment corporation within the meaning of § 355(g)(2).

(t). Payments made in connection with all continuing transactions, if any, between Distributing and Controlled will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

RULINGS

(1). The Contribution, followed by the Distribution, will qualify as a reorganization under § 368(a)(1)(D). Distributing and Controlled each will be a "party to a reorganization" within the meaning of § 368(b).

(2). Distributing will not recognize any gain or loss on the Contribution. Sections 357(a) and 361(a).

(3). Controlled will not recognize any gain or loss on the exchange of its stock for the stock of Sub 1 and Sub 2 and the assets of LLC deemed received pursuant to the Contribution. Section 1032(a).

(4). Controlled's basis in the stock of Sub 1 and Sub 2 and in assets of LLC deemed received in the Contribution will be equal to the basis of such stock and assets in the hands of Distributing immediately before the Contribution. Section 362(b).

(5). Controlled's holding period for the stock of Sub 1 and Sub 2 and in assets of LLC deemed received in the Contribution will include the period during which Distributing held each of such stock and assets prior to the Contribution. Section 1223(2).

(6). Distributing will not recognize any gain or loss on the Distribution. Section 361(c).

(7). The shareholders of Distributing will not recognize any gain or loss (and no amount will be includible in their income) upon their receipt of Controlled stock in the Distribution. Section 355(a)(1).

(8). The aggregate basis of the Distributing and the Controlled shares in the hands of each of the shareholders of Distributing after the Distribution will be the same as the shareholder's basis in the Distributing shares immediately before the Distribution. Section 358(a) and § 1.358-1(a). Such basis will be allocated between the Distributing shares and the Controlled shares in proportion to the fair market value of each in accordance with § 1.358-2(a)(2). Section 358(a)(1), (b)(2), and (c).

(9). The holding period of the Controlled stock received by each Distributing shareholder in the Distribution will include the holding period of the Distributing shares with respect to which the Distribution will be made, provided that such Distributing shares are held as capital assets on the date of the Distribution. Section 1223(1).

(10). Proper allocation of earnings and profits between Distributing and Controlled will be made under §§ 1.312-10(a) and 1.1502-33(e)(3).

CAVEATS AND PROCEDURAL STATEMENTS

No opinion is expressed as to the tax treatment of the Proposed Transaction under other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above rulings.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent. A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of this ruling letter.

In accordance with the power of attorney on file in this office, a copy of this ruling letter is being sent to your authorized representative(s) designated as receiving copies of communications.

Sincerely,

Ken Cohen
Senior Technician Reviewer, Branch 3
Office of Associate Chief Counsel (Corporate)